NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the County of Fauquier conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Reporting entity

The County of Fauquier, Virginia (government) is a municipal corporation governed by an elected five-member Board of Supervisors. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component unit – The County of Fauquier has no blended component units.

Discretely presented component unit – The component unit column in the financial statements includes the financial data of the County's discretely presented component unit, Fauquier County School Board (School Board). It is reported in a separate column to emphasize that it is legally separate from the County.

The School Board is responsible for the elementary and secondary education in the County. School Board members are elected by the voters by magisterial districts. The School Board does not have separate taxing authority and is therefore fiscally dependent upon the County. The County provides significant funding for school operating and capital needs, approves the School Board's budget, levies taxes as necessary, and approves all debt issuances. The School Board consists of the following governmental funds:

School Operating Fund – accounts for the operations of the public school system.

School Textbook Fund – accounts for state and local funds provided for the purchase of textbooks.

School Cafeteria Fund – accounts for the revenue and expenses associated with the food services within the school system.

The Fauquier County School Board does not issue a separate set of financial statements.

Related organizations – The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointment. The Board of Supervisors appoints the board members of the Fauquier County Industrial Development Authority and Fauquier County Water and Sanitation Authority.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the County, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the County.

Licenses, permits, fines, and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. Special Revenue Funds consist of the Joint Communications Fund, Fire and Rescue Fund, Parks and Recreation Trust Fund, and Library Trust Fund.

Fiduciary Funds account for assets held by the government in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds include the Special Welfare Fund, Service to Outside Agencies Fund, Detention Center Fund, Vint Hill Transportation Fund, and Street Lights Fund, Disability Services Board Fund, Performance Bond Fund, and Revenue Maximization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Landfill, Airport, Fleet Maintenance, and Health Insurance enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Values of shares in the State Non-Arbitrage Program (SNAP) reflect fair value.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventory and prepaid items

Inventory is valued using the first in, first out method. Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Property taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable in two installments on June 5th and December 5th. Personal property is assessed at its value on January 1 or when it is acquired or brought into the county. Personal property taxes are due and collectible annually on October 5th. The County bills and collects its own property taxes.

5. Allowance for uncollectible accounts

The County calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $870,354 at June 30, 2003 and is composed solely of property taxes. This allowance represents 0.27% of the total levies for the previous five years.

6. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Restricted assets

The “proceeds from bonds” account is used to report those proceeds of bond issuance that are restricted for use in construction. The “principal and interest payment” accounts are used to segregate resources accumulated for debt service payments over the next twelve months.

8. Capital assets

Capital assets, which include property, plant, and equipment assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	40
Machinery and equipment	5-15
Vehicles	3-12

9. Component unit capital assets

By law, the School Board does not have taxing authority. As such, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvements to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. Per the Code of Virginia, the capital assets of the School Board are held as tenancy in common. The School Board holds title to the capital assets (buildings and equipment) and is responsible for maintenance and insurance. For financial reporting purposes, the County holds joint tenancy with the School Board. As such, School Board assets and related general obligation debt are reported by the County until such time as the debt obligation is paid in full.

10. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

12. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

13. Net assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets represent capital assets, less accumulated depreciation and less any outstanding debt related to the acquisition, construction or improvement of those assets.

NOTE 2 – CASH AND INVESTMENTS

Deposits – All cash of the primary government and its discretely presented component unit is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et.seq. of the *Code of Virginia* (a multiple financial institution collateral pool), or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The Commonwealth Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act.

The Act provides for a pooling of collateral pledged with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for any one public depositor and public depositors are prohibited from holding collateral in their name as security for deposits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and notifying local governments of compliance by banks and savings and loan associations. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover the loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Funds deposited in accordance with the requirements of the Act are considered fully secured and thus are not categorized below.

Investments – Statutes authorize the County to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank) and Asian Development Bank, the African Development Bank, "Prime Quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, the state Treasurer's Local Government Investment Pool (LGIP) and State Non-Arbitrage Program (Virginia SNAP). Bond proceeds subject to arbitrage rebate are invested in the Virginia State Non-Arbitrage Program (See Note 1 D.1).

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's agent (if a broker/dealer) or trust department (if a bank) in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its agent, or trust department, or safekeeping agent but not in the County's name. The investments in the LGIP and SNAP are not categorized as to assumed risk because they are considered pooled investments in nature, and are not evidenced by securities that exist in physical or book-entry form.

The County's investments in the LGIP and SNAP are authorized by the *Code of Virginia* and are managed under the direction of the State Treasurer. The fair value in the external investment pool is the same as the value of the pool shares at June 30, 2003.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

At year-end, the County's investment balances were as follows:

Investments subject to categorization:	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
U.S. Treasure & Agencies	$ 3,027,616	$ -	$ -	$ 3,027,616	$ 3,027,616
Repurchase Agreements	-	-	38,553,395	38,553,395	38,553,395
Total investments	$ 3,027,616	$ -	$ 38,553,395	41,581,011	41,581,011
Investments not subject to categorization:					
State Non-Arbitrage Program Investments Pool (SNAP)				12,983,170	12,983,170
Local Government Investments Pool (LGIP)				19,380,733	19,380,733
Total investments				73,944,914	73,944,914

A summary of cash and investments for the primary government is as follows:

Cash and cash equivalents	6,512,679
Carrying amount of investments	73,944,914
Cash on hand	8,485
Total	80,466,078

A reconciliation of cash and investments to the financial statements follows:

Cash and investments per Exhibit 1	78,634,897
Cash and investments per Exhibit 10	1,831,181
Reconciled total	80,466,078

At year-end the component unit – School Board's cash and deposit balances were as follows:

Deposits	597,016
Cash on hand	1,350
Total cash and deposits	$ 598,366

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30th, the County Administrator submits to the Board of Supervisors a proposed operating and capital budget for the fiscal year commencing the following July 1st. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30th, the budget is legally enacted through passage of an Appropriations Resolution.

NOTE 3– STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

4. The Appropriations Resolution places legal restrictions on expenditures at the department level. Expenditures may not exceed appropriations at the department level. Only the Board of Supervisors can revise the appropriation for each department. The Board of Supervisors has adopted a policy for processing changes to the adopted budget. The School Board is authorized to transfer budgeted amounts within the school system's categories.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds (except the School Funds) and the Capital Projects Fund. The School Funds are integrated only at the level of legal adoption. Budgets are legally adopted for these funds and the School Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All budget data presented in the accompanying financial statements reflects the originally adopted budget and the amended budget compared to actual results as of June 30th.
8. Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, but lapse on June 30th, except for Capital Projects Fund. Encumbrances outstanding at year-end may be reappropriated by the Board of Supervisors. Appropriations for the Capital Projects Fund are rolled over to subsequent fiscal years.

B. Excess of expenditures over appropriations

For the year ended June 30, 2003, there were no departments in which expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2003, there were no funds with deficit fund equity.

NOTE 4 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003 consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	$ -	$ 8,399,708
Joint Communication Fund	128,878	-
Fire and Rescue Fund	41,452	
Parks & Recreation Trust Fund	-	3,369
Airport Fund	38,642	-
Capital Projects Fund	8,194,105	-
Total	$ 8,403,077	$ 8,403,077
Component Unit – School Board:		
School Operating Fund	$ -	$ 56,600
School Cafeteria Fund	56,600	-
Total	$ 56,600	$ 56,600

Transfers are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

NOTE 5 – DUE FROM/TO PRIMARY GOVERNMENT/COMPONENT UNITS OBLIGATIONS AND INTERFUND OBLIGATIONS

The following is a summary of amounts due from/to Primary Government/Component Unit and interfund obligations as of June 30, 2003:

	Due from Primary Government	Due to Component Unit	Interfund Receivables	Interfund Payables
Component unit – School Board	$ 6,004,767	$ -	$ -	$ -
Primary government – General Fund	-	6,004,767	30,640	-
Primary government – Service to Outside Agencies	-	-	-	30,640
Primary government – Capital Projects Fund	-	-	250,000	-
Primary government – Solid Waste Fund	-	-	-	250,000
Total	$ 6,004,767	$ 6,004,767	$ 280,640	$ 280,640

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

The following is a summary of amounts due from other governmental units at June 30, 2003:

	Primary Government	Component Unit School Board
Commonwealth of Virginia:		
Local sales tax	$ 901,060	$ -
State sales tax	-	1,270,686
Shared expenses	323,769	-
Comprehensive services	358,991	-
Social services	72,938	104,541
Miscellaneous grants	13,493	492,000
Federal Government:		
School fund grants	-	693,320
Social services	135,064	-
Other federal grants	20,841	-
Total	$ 1,826,156	$ 2,560,547

NOTE 7 – CAPITAL ASSETS

The following is a summary of changes in capital assets for the fiscal year ending June 30, 2003:

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Primary government – governmental funds				
Land	$ 9,909,083	$ -	$ -	$ 9,909,083
Buildings and improvements	14,720,424	1,041,594	15,865	15,746,153
Machinery and equipment	6,244,582	1,661,129	664,025	7,241,686
Construction in progress	1,410,165	6,726,036	347,516	7,788,685
Jointly owned assets	38,570,000	1,405,837	-	39,975,837
Total	70,854,254	10,834,596	1,027,406	80,661,444
Accumulated depreciation	12,146,054	2,241,921	626,655	13,761,320
Net capital assets governmental funds	$ 58,708,200	$ 8,592,675	$ 400,751	$ 66,900,124

NOTE 7 – CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Primary government - enterprise funds				
Solid Waste Fund:				
Landfill site	$ 1,637,136	$ -	$ -	$ 1,637,136
Cell improvements	2,111,920	2,431,923	-	4,543,843
Equipment	412,760	142,519	-	555,279
Infrastructure	854,306	-	-	854,306
Facilities	161,745	-	-	161,745
Construction in progress	898,965	-	898,965	-
Total	6,076,832	2,574,442	898,965	7,752,309
Accumulated depreciation	(707,964)	(269,704)	-	(977,668)
Net capital assets Solid Waste	5,368,868	2,304,738	898,965	6,774,641
Airport Fund:				
Land	4,921,306	-	-	4,921,306
Improvements	943,850	-	-	943,850
Construction in progress	513,954	475,297	-	989,251
Total	6,379,110	475,297		6,854,407
Accumulated depreciation	(222,863)	(27,471)	-	(250,334)
Net capital assets Airport	6,156,247	447,826	-	6,604,073
Fleet Maintenance Fund:				
Buildings	349,000	-	-	349,000
Equipment	394,835	-	71,077	323,758
Total	743,835	-	71,077	672,758
Accumulated depreciation	(533,220)	(18,924)	21,377	(530,767)
Net capital assets Fleet	210,615	(18,924)	49,700	141,991
Net capital assets enterprise funds	11,735,730	2,733,640	948,665	13,520,705
Component unit - School Board				
Land	4,166,986	-	-	4,166,986
Buildings and improvements	43,770,365	5,932,519	182,600	49,520,284
Machinery and equipment	12,831,988	1,312,646	726,552	13,418,082
Construction in progress	11,641,974	2,016,365	4,375,733	9,282,606
Total	72,411,313	9,261,530	5,284,885	76,387,958
Accumulated depreciation	(29,276,748)	(2,239,509)	(741,981)	(30,774,276)
Net capital assets component unit - School Board	$ 43,134,565	$ 7,022,021	$ 4,542,904	$ 45,613,682

NOTE 7 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government and the component unit – School Board as follows:

Primary government - governmental funds		
General government	$	185,333
Judicial administration		108,840
Public safety		721,201
Public works		111,153
Health and welfare		5,979
Education		866,125
Parks, recreation and cultural		234,491
Community development		8,799
Total governmental activities	$	2,241,921
Primary government - enterprise funds		
Solid Waste Fund	$	269,704
Airport Fund		27,471
Fleet Maintenance Fund		18,924
Total enterprise funds	$	316,099
Component unit – School Board	$	2,239,509

The following is a summary of restatements in capital assets at the beginning of the year due to changes in the reporting of joint tenancy assets in accordance with the Code of Virginia and due to actual inventory of capital assets:

	Balance June 30, 2002	Restatement	Restated Balance June 30, 2002
Primary government – governmental funds			
Land	$ 9,909,083	$ -	$ 9,909,083
Buildings and improvements	14,359,933	360,491	14,720,424
Machinery and equipment	5,654,721	589,861	6,244,582
Construction in progress	2,596,578	(1,186,413)	1,410,165
Jointly owned assets	-	38,570,000	38,570,000
Total	32,520,315	38,333,939	70,854,254
Accumulated depreciation	-	12,146,054	12,146,054
Net capital assets governmental funds	32,520,315	26,187,885	58,708,200
Component unit – School Board			
Land	4,166,986	-	4,166,986
Buildings and improvements	78,733,873	(34,963,508)	43,770,365
Machinery and equipment	12,831,988	-	12,831,988
Construction in progress	15,151,884	(3,509,910)	11,641,974
Total	110,884,731	(38,473,418)	72,411,313
Accumulated depreciation	-	29,276,748	29,276,748
Net capital assets component unit - School Board	$ 110,884,731	$ (67,750,166)	$ 43,134,565

NOTE 8 – LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

Annual requirements to amortize long-term debt and related interest are as follows:

Fiscal Year	Capital Leases Principal	Capital Leases Interest	Revenue Bonds Principal	Revenue Bonds Interest	General Obligation Bonds Principal	General Obligation Bonds Interest
2004	$ 783,245	$ 388,548	$ 115,000	$ 147,425	$ 3,765,000	$ 2,111,446
2005	812,701	356,847	120,000	142,710	3,715,000	1,901,769
2006	843,132	323,861	125,000	137,790	3,665,000	1,698,830
2007	879,586	289,023	130,000	132,665	3,630,000	1,495,705
2008	445,000	257,859	135,000	127,010	3,575,000	1,295,475
2009	460,000	241,282	140,000	121,138	3,495,000	1,093,651
2010	485,000	217,823	145,000	115,048	2,860,000	914,872
2011	500,000	197,937	155,000	108,377	2,490,000	775,421
2012	525,000	176,812	160,000	101,248	2,455,000	650,644
2013	545,000	153,975	170,000	93,487	2,145,000	536,451
2014	575,000	126,180	175,000	85,242	2,140,000	429,581
2015	605,000	95,418	185,000	76,755	1,350,000	340,292
2016	635,000	63,050	195,000	67,320	1,350,000	269,064
2017	665,000	32,253	205,000	57,375	1,345,000	197,832
2018	-	-	215,000	46,920	895,000	138,462
2019	-	-	225,000	35,955	720,000	95,420
2020	-	-	235,000	24,480	720,000	56,950
2021	-	-	245,000	12,495	545,000	27,017
2022	-	-	-	-	320,000	8,160
Totals	$ 8,758,664	$ 2,920,868	$ 3,075,000	$ 1,633,440	$ 41,180,000	$ 14,037,042

The following is a summary of long-term debt transactions of the County for the year ended June 30, 2003:

	Adjusted Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
General Obligation Bonds	$ 44,980,000	$ -	$ 3,800,000	$ 41,180,000
Capital Leases (see Note)	9,443,381	1,700,000	684,717	10,458,664
Revenue Bonds	3,075,000	-	-	3,075,000
Compensated absences	2,425,688	173,735	-	2,599,423
Total general long-term obligations	$ 59,924,069	$ 1,873,735	$ 4,484,717	$ 57,313,087

Note: Capital leases include the addition of $1,700,000; however, the amortization schedule for this obligation will not be finalized until all draws have been made. The general fund revenues are used to liquidate all long-term obligations other than debt.

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

Details of long-term obligations are as follows:

	Amount Outstanding	Amount Due Within One Year
Capital Leases:		
$3,580,000 capital lease for lease/purchase of office building located at 320 Hospital Drive, Warrenton, issued February 12, 1997, due in semiannual installments, including interest, through February 1, 2007 with a taxable portion of $530,000 at an interest rate of 6.65% and tax-exempt portion of $3,050,000 at an interest rate of 4.95%	$ 1,673,664	$ 388,245
$7,400,000 Public Safety Radio System 2002A, issued June 6, 2002, due in annual installments beginning April 1, 2003 through April 1, 2017, with interest payable semiannually at rates from 3.10% to 5.35%	7,085,000	395,000
$1,700,000 capital lease agreement dated July 15, 2002 lease/purchase of library building located in Bealeton. Payments totaling $261,162 have been received as of June 30, 2003 and repayment terms are not yet finalized.	1,700,000	-
Total Capital Leases	10,458,664	783,245
Revenue Bonds:		
$3,075,000 Sewer Revenue Bonds, Series of 2001, issued June 28, 2001, maturing annually beginning April 1, 2004 through April 1, 2021, with interest payable semiannually at rates from 4.10% to 5.10%	3,075,000	115,000
General Obligation Bonds:		
$16,000,000 General Obligation School Bonds, Series of 1993, issued June 10, 1993, maturing annually beginning July 15, 1994 through July 15, 2013, with interest payable semiannually at rates from 5.00% to 5.65%	800,000	800,000
$24,630,000 Virginia Public School Authority Bonds, Refunding Series 1994A, issued January 3, 1994, maturing annually beginning December 15, 1994 through December 15, 2011, with interest payable semiannually at rates from 6.40% to 7.62%	9,865,000	1,530,000
$9,000,000 Virginia Public School Authority Bonds 1996A, issued November 14, 1996 maturing annually beginning July 15, 1997 through July 15, 2017 with interest payable semiannually at rates from 5.10% to 6.10%	6,300,000	450,000
$3,500,000 Virginia Public School Authority Bonds, Series 1997B, issued November 20, 1997, maturing annually beginning July 15, 1998 through July 15, 2017, with interest payable semiannually at rates from 4.35% to 5.35%	2,625,000	175,000

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

	Amount Outstanding	Amount Due Within One Year
General Obligation Bonds (Continued)		
$3,500,000 Virginia Public School Authority Bonds, Series 1999A, issued November 29, 1999, maturing annually beginning July 15, 2000 through July 15, 2019, with interest payable semiannually at rates from 5.10% to 6.10%	$ 2,975,000	$ 175,000
$4,575,000 Virginia Public School Authority Bonds, Series 2000A, issued November 16, 2000, maturing annually beginning July 15, 2001 through July 15, 2020, with interest payable semiannually at rates from 4.975% to 5.85%	4,115,000	230,000
$8,495,000 General Obligation School Bond, Series of 2001, issued July 24, 2001, maturing annually from July 15, 2002 through July 15, 2013, with interest payable at rates from 3.00% to 4.60%	8,415,000	80,000
$6,410,000 Virginia Public School Authority Bonds, Series 2001C, issued November 15, 2001, maturing annually from July 15, 2002 through July 15, 2021 with interest payable semiannually at rates from 3.10% to 5.35%	6,085,000	325,000
Total General Obligation Bonds	41,180,000	3,765,000
Compensated absences payable	2,599,423	259,942
Total primary government long-term obligations	$ 57,313,087	$ 4,923,187

PROPRIETARY FUNDS

Annual requirements to amortize long-term debt and related interest are as follows:

	Revenue Bonds	
Fiscal Year	Principal	Interest
2004	$ 325,000	$ 103,675
2005	335,000	90,675
2006	345,000	77,275
2007	360,000	63,475
2008	375,000	49,075
2009	395,000	32,200
2010	410,000	16,400
Totals	$ 2,545,000	$ 432,775

NOTE 8 – LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of long-term obligations transactions, including landfill closure and other items, of the Enterprise Funds for the year ended June 30, 2003:

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Enterprise fund debt:				
Solid Waste Bonds	$ 2,790,000	$ 2,545,000	$ 2,790,000	$ 2,545,000
Compensated Absences	87,702	31,361	-	119,063
Total enterprise debt	$ 2,877,702	$ 2,576,361	$ 2,790,000	$ 2,664,063

	Amount Payable June 30, 2003	Amount Due Within One Year
Revenue Bonds		
$2,695,000 revenue refunding bonds, Series 2002B, dated October 15, 2002 payable in various semi-annual installments beginning May 1, 2003 through May 1, 2010, interest at 3.71%	$ 2,545,000	$ 325,000
Compensated absences	119,063	11,906
Landfill closure and postclosure liability	3,520,503	-
Premium on bonds payable	93,859	13,735
Deferred amount on refunding	(89,686)	(11,958)
Total proprietary fund obligations	$ 6,188,739	$ 338,683

DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

The following is a summary of long-term obligation transactions of the School Board for the year ended June 30, 2003:

	Beginning Balance	Additions	Retirements	Ending Balance
General long-term debt:				
Compensated absences.......................	$ 3,245,216	$ 352,454	$ -	$ 3,597,670
Total general long-term debt	$ 3,245,216	$ 352,454	$ -	$ 3,597,670

	Amount Payable June 30, 2003	Amount Due Within One Year
Compensated absences payable, component unit	$ 3,597,670	$ 359,767
Total component unit long-term debt	$ 3,597,670	$ 359,767

NOTE 9 – CONSTRUCTION COMMITMENTS

At June 30, 2003, the County has several major projects under construction which are summarized below:

Project		Contract Amounts		Expenditures as of June 30, 2003		Contract Balance
Primary Government:						
Warren Green Building	$	1,507,000	$	358,761	$	1,148,239
800 MHz Radio System		564,477		261,806		302,671
Bealeton Library		1,421,829		818,752		603,077
Auburn Middle School		12,625,695		510,271		12,115,424
Airport		3,283,880		88,391		3,195,489
Total	$	19,402,881	$	2,037,981	$	17,364,900

NOTE 10 - COMMITMENTS & CONTINGENT LIABILITIES

Federal programs in which the County and School Board participate were audited in accordance with the provisions of the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Pursuant to the provisions of this circular all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests that may result in disallowed expenses. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

NOTE 11 – CLAIMS AND LITIGATION

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The estimated potential claims against the County resulting from such litigation should not materially affect the financial statements of the County.

NOTE 12 – DEFINED BENEFIT PENSION PLAN

A. Plan description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 with 5 years of service for participating law enforcement officers and firefighters). Benefits vest after five years of service. Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least five years of credited service are entitled to an annual retirement benefit payable monthly for life in an amount equal to 1.70% of their average final salary (AFS) for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with 30 years or more of credited service are entitled to an annual benefit equal to 1.70% of AFS for each year of credited service.

In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFS is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly.

Professional and non-professional employees of the School Board are also covered by the VRS. Professional employees participate in a VRS statewide teacher cost sharing pool, and non-professional employees participate as a separate group in the agent multiple-employer retirement system.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual salary to the VRS. The County and School Board have assumed this 5% member contribution. In addition, the County and School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. The County's and School Board non-professional employer contribution rates for the fiscal year ended 2003 were 4.00% and 5.25% of annual covered payroll, respectively. The School Board's professional employees contributed $4,023,587, $3,542,219, and $4,823,104 to the teacher cost-sharing pool for the fiscal years ended June 30, 2003, 2002, and 2001, respectively and these contributions represented 8.77%, 9.24%, and 12.54%, respectively, of current covered payroll.

C. Annual pension cost

For fiscal year 2003, the County's annual pension cost of $704,026 was equal to the County's required and actual contributions. For fiscal year 2003, the School Board's annual pension cost for non-professional employees of $168,916 was equal to the School Board's required and actual contributions. The required contributions were determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.00% investment rate of return (b) projected salary increases ranging from 4.25% to 6.10% per year, and (c) 3% per year cost–of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of the County's and School Board's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County's and the School Board's funded actuarial assets are being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

D. Trend information

County:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Contribution Made
June 30, 2001	$789,685	100%	$789,685
June 30, 2002	$807,402	100%	$807,402
June 30, 2003	$704,026	100%	$704,026

School Board Non-professionals:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Contribution Made
June 30, 2001	$201,191	100%	$201,191
June 30, 2002	$144,855	100%	$144,855
June 30, 2003	$168,916	100%	$168,916

NOTE 12 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Schedule of funding progress

Fauquier County:

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2000	$	27,308,581	24,123,134	(3,185,447)	113.20%	12,130,332	-26.26%
June 30, 2001	$	30,809,067	27,017,163	(3,791,904)	114.04%	14,868,120	-25.50%
June 30, 2002	$	33,061,032	30,977,365	(2,084,567)	106.73%	16,260,939	-12.82%

Fauquier County School Board:

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as % of AAL	Annual Covered Payroll	UAAL as a % of Covered Payroll
June 30, 2000	$	9,313,162	6,894,129	(2,419,033)	135.09%	3,498,981	-69.14%
June 30, 2001	$	10,179,651	7,270,722	(2,908,929)	140.01%	2,697,582	-107.83%
June 30, 2002	$	10,507,799	8,044,254	(2,463,545)	130.62%	2,908,936	-84.69%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the program's funding status on a going concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker.

NOTE 13 – LENGTH OF SERVICE AWARDS PENSION PROGRAM

A. Plan description and provisions

On January 1, 1995 the Fauquier County Board of Supervisors adopted the Length of Service Awards Program for the Fauquier County Fire and Rescue Association and its member companies to recognize the service provided by the volunteers. The plan was active until January 1, 2002 at which time the Fire & Rescue Association elected to freeze all member benefits in the plan. The plan is single employer, defined benefit pension plan which was open to any volunteer firefighter over the age of eighteen. Participants vested in five years, and earned a fixed dollar benefit based on years of service. No separate financial report is issued for the plan.

As of January 1, 2003 the program membership consisted of the following:

Eligible Members	286
Retirees and beneficiaries	53
Terminated vested members	33

B. Funding policy

This plan is available to vested volunteer personnel with no covered payroll. Benefits are paid based on a fixed dollar amount for years of service with a ten-year vesting schedule. Benefits accrue at the rate of $10 per month for each two years of active service with a maximum of $250 per month. Since the County fully funds the plan, refunds are not paid. The plan does not provide for post-retirement increases. The contribution rate is determined using an entry age normal actuarial funding method. The actuarial value of the plan assets is equal to the market value of the

NOTE 13 – LENGTH OF SERVICE AWARDS PENSION PROGRAM (CONTINUED)

assets. Present and future assets in the plan are assumed to earn an investment rate of return of 5.50% compounded annually. There is no inflation factor or salary increase factor used since there is no covered payroll.

The contributions to the plan for the fiscal year ended June 30, 2003 totaled $82,195. The Program's funding policy provides for periodic County contributions at actuarially determined rates that are sufficient to accumulate adequate assets to pay benefits when due. At June 30, 2003 the plan had net assets available for benefits totaling $1,749,474. Unfunded past service costs total $1,286,391 and will be fully amortized in 9 years. The plan additions fund the cost of administering the plan.

Fiscal Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed
June 30, 2001	$	429,476	100%
June 30, 2002	$	430,300	100%
June 30, 2003	$	82,195	100%

Historical trend information about the program is presented below as required supplementary information. This information is intended to help users assess the program's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

C. Schedule of funding progress

Actuarial Valuation Date		Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liabilities	Funded Ratio
December 31, 2000	$	1,411,479	2,467,022	1,690,754	31.20%
December 31, 2001	$	1,580,147	2,467,022	1,398,585	43.30%
December 31, 2002	$	1,749,474	2,467,022	1,286,391	47.90%

NOTE 14 – DEFERRED REVENUE

Deferred revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Deferred revenue totaling $2,709,936 is comprised of the following:

A. Deferred tax revenue

Deferred revenue representing uncollected tax billings not available for funding of current expenditures totaled $2,440,986 at June 30, 2003.

B. Prepaid taxes

Property taxes due subsequent to June 30, 2003 but paid in advance by the taxpayers totaled $125,533 as of June 30, 2003.

C. School grants

School grant funds unexpended as of June 30, 2003 which are permitted to be carried forward to Fiscal Year 2004 total $143,417.

NOTE 15 - DEBT DEFEASANCE

On October 15, 2002 the County participated in a Virginia Resource Authority (VRA) pooled refunding program in the issuance of $2,645,000 Solid Waste Management Revenue Bonds Series 2002B bonds to advance refund $2,790,000 Solid Waste Disposal System Revenue Bonds, Series 1993A. The 2002B bonds bear an interest rate of 3.71% and will be repaid in various installments through April 2010. As a result, the 1993A bonds maturing annually on May 1, 2003 through May 1, 2011 are considered to be defeased in substance, and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by $89,686. This amount is being netted against the new debt and amortized over the life of the new debt issued, which is shorter than the remaining life of the refunded debt. This advance refunding was undertaken to reduce the total debt service payments over the next eight years by $348,994 and resulted in an economic gain of $177,453. At June 30, 2003 the defeased bonds had balances outstanding of $2,500,000.

NOTE 16 – LANDFILL CLOSURE AND POSTCLOSURE CARE COST

The County of Fauquier, Virginia owns and operates a landfill site. State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $10,885,252 reported as landfill closure and postclosure care liability at June 30, 2003, represents the cumulative amount reported based on the use of 77.3% percent of the estimated capacity of the old landfill and the use of 16.6% of the estimated capacity of the new landfill. The County will recognize the remaining estimated cost of closure and postclosure care of $1,532,565 on the old landfill as the remaining estimated capacity is filled. The County will recognize the remaining estimated cost of closure and postclosure care of $4,711,583 on the new landfill as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2003. The County expects to close the old landfill in the year 2008 and expects to close the new landfill in the year 2025. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County intends to fund these costs from tipping fee revenues.

NOTE 17 – RISK MANAGEMENT

A. County government

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The identification and analysis of exposures to risk, implementation of risk control techniques and utilization of appropriate risk financing alternatives accomplish management of these risks.

The County Government is a member of the Virginia Municipal League (VML) insurance programs for its property, automobile, liability, public officials, and workers' compensation coverage. VML insurance programs consist of two separate self-insurance programs, the Virginia Municipal Liability Pool and the Virginia Municipal Group Self Insurance Association. These pools are non-profit, tax-exempt associations.

The County carries commercial insurance for all other risks of loss, including airport liability, and accident/health insurance coverage for auxiliary deputies. During the last three fiscal years, settled claims from these risks have not exceeded commercial coverage.

B. School Board component

The School Board is a member of the Virginia Association of Counties Risk Pool (VACorp) for its property, automobile, and liability coverage.

The School Board Workers' Compensation is provided by the School Systems of Virginia Group Self Insurance Association. Section 65.1-104.2 of the *Code of Virginia* authorizes employers with a common interest to pool their liabilities under the Virginia Workers' Compensation Act.

NOTE 17 – RISK MANAGEMENT (CONTINUED)

The public officials liability coverage is provided through the Commonwealth of Virginia – VA Risk2 program. The School Board carries commercial insurance for the athletic accident policy and each high school is a member of the Virginia High School League for liability catastrophe insurance.

In the event the pool(s), VML and/or VACorp, incur a loss deficit and depletion of all available excess insurance, the pool(s) may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

C. Fire & Rescue Association component

The Fire & Rescue Association (Association) contract administration is handled through the Risk Management Division. The Association carries commercial insurance for the property, automobile and liability coverage. Companion covers the workers' compensation policy and Provident carries the accident & sickness policy.

D. Health benefit program component

The County is self-insured for medical and dental coverage for County and School employees. Anthem, formerly Trigon, is the administrator of the group medical and dental insurance programs.

The group medical and dental insurance programs for the County Government and Public Schools are combined into one overall funding program. The program includes a specific stop loss of $100,000 for fiscal year 2003 and a maximum aggregate liability of 125% of Anthem's estimated liability. The stop loss amount increases to $150,000 in fiscal year 2004. Each participating agency is responsible for paying the amount of actual expense incurred. This combined group plan went into effect October 1994.

Liabilities for unpaid claims and claim adjustment expenses are estimated based on the estimated ultimate cost of settling the claims, including the effects of trend factors including inflation and other societal and economic factors. Changes in the balances of claims liabilities during the year are as follows:

	2002	2003
Unpaid claims, beginning July 1, 2002	$ 700,300	$ 998,300
Incurred claims, (including IBNR)	7,751,500	8,817,718
Claim payments	7,453,500	8,794,043
Unpaid claims, ending June 30, 2003	$ 998,300	$ 1,021,975

NOTE 18 – SURETY BONDS

Fidelity and Deposit Company of Maryland – Surety	Amount
Gail Barb, Clerk of the Circuit Court	$ 50,000
Beth Ledgerton, Treasurer	500,000
Ross D'Urso, Commissioner of the Revenue	3,000
Joseph Higgs, Jr., Sheriff	30,000
Above constitutional officers' employees - blanket bond	50,000
Clerk of the School Board	10,000
United States Fidelity and Guaranty Company – Surety	
County employees except above Constitutional Offices and School Board employees	$ 100,000

NOTE 19 – COMMITMENTS UNDER NON-CAPITALIZED LEASES

The County leases the following property:

Property	Annual Payments
Ashby Street Office	$ 12,600
Waterloo Street Parking Lot	7,000
Registrar's Office, John Marshall Building	27,552
Bealeton Library	31,895
Culpeper Street Office	12,000

All leases are subject to annual appropriation of rental payments.

NOTE 20 – SUBSEQUENT EVENTS

In July 2003 the Board of Supervisors approved the sale of Virginia Public School Authority General Obligation bonds. The bonds were issued on November 6, 2003 in the amount of $12,402,946.

NOTE 21 – FUND BALANCES / RETAINED EARNINGS ADJUSTMENTS

Fund balances / retained earnings were adjusted as of June 30, 2002 as follows:

	Special Revenue Funds	Internal Service Funds	Enterprise Funds
Fund balances / retained earnings as previously reported	$ 1,028,364	$ 3,406,799	$ 6,825,828
Internal service funds reclassified to enterprise funds	-	(3,406,799)	3,406,799
Agency funds reclassified as special revenue funds	186,178	-	-
Adjustment due to error in accumulated depreciation in the Solid Waste Fund	-	-	(114,369)
Fund balances / retained earnings as restated	$ 1,214,542	$ -	$ 10,118,258